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TO RUEHC/SECSTATE WASHDC 4308
INFO RUEHUJA/AMEMBASSY ABUJA 1278
RUEHDK/AMEMBASSY DAKAR 1184
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RUEHFR/AMEMBASSY PARIS 1970
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RUEHBJ/AMEMBASSY BEIJING 0033
RUEHKL/AMEMBASSY KUALA LUMPUR 0035
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RUEHHK/AMCONSUL HONG KONG 0023
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UNCLAS SECTION 01 OF 02 NDJAMENA 001105

SIPDIS

SENSITIVE
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DEPT FOR AF, EB, ENERGY FOR CAROLYN GAY AND GEORGE PEARSON,
TREASURY FOR OTA, LONDON AND PARIS FOR AFRICA WATCHERS,
DAKAR FOR FCS REPRESENTATIVE CYNTHIA GRIFFITH GREENE

E.O. 12958: N/A

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SUBJECT: GOC REFUSES CHEVRON'S RIGHT TO CHAD'S OIL, AND
OTHER NEWS

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11. (SBU) SUMMARY: On August 31, the GOC informed Esso that Chevron and Petronas were not permitted to produce or lift the country's crude oil for exportation and sales overseas. Chevron has alerted the Cameroon Oil Company that it intends to continue lifting its crude oil. Contrary to Chevron's expectations, the meeting between Chevron CEO and President Deby did not take place. The country's Finance Minister informed us that the GOC plans to move ahead with its intentions to renegotiate its 1988 and 2004 conventions with the Consortium. Senator Obama's public comments on the tax dispute received extensive media coverage. END SUMMARY.

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GOC DENIES CHEVRON'S RIGHT TO COUNTRY'S OIL
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12. (SBU) On August 31, the office of Chadian Prime Minister Pascal Yaodminadji transmitted a letter to Chevron and Petronas that stated that the two oil companies no longer possessed the legal rights to produce or lift Chad's crude oil for international sales. Chevron's mid-Africa country manager Carole Rock told the Embassy on September 3 that Chevron had already sent a letter to the Minister of Petroleum and Minister of Finance reiterating their position on the validity of the company's tax filings and the 2000 tax benefit agreement with the GOC. She also noted that Chevron had already informed the Cameroon Oil Company (COTCO), which operated the Cameroonian end of the Chad-Cameroon pipeline, that the company intend to continue lifting Chadian crude oil for overseas sales.

13. (SBU) During a conversation with Economic/Consular Officer on September 4, Esso interim-Public Affairs advisor Yolla Zongor stated that Esso was trying to determine its commitments to lift Chadian crude for its consortium partners. The basic legal issue, according to Zongor, boiled down to legal obligations to its consortium partners versus its legal obligations to the Government of Chad. Esso's

legal team was currently trying to determine the direction the operator would have to take to satisfy its contractual obligations.

DEBY-O'REILLY MEETING DOES NOT HAPPEN

¶4. (SBU) In Paris, a proposed meeting between Chevron CEO Dave O'Reilly and President Deby did not take place as scheduled. We are still trying to determine the reasons for the cancellation of the meeting. There is no indication, as of yet, of any attempts to reschedule the meeting.

¶5. (SBU) At the same time, Rock noted that following meetings with the World Bank, the company has realized that the Bank has developed "several negative perceptions" of Chevron's position with respect to the 2000 tax benefits agreement, possibly as a result of the Bank's interactions with the GOC. Rock pointed out that Chevron had already met with World Bank Senior Advisor Robin Cleveland to begin the process of clearing up these misperceptions, and would continue to stress its position to Bank officials.

MINISTER OF FINANCE ON TAX DISPUTE, NEGOTATING EXISTING CONVENTIONS

¶6. (SBU) On August 31, Minister of Finance Abbs Tolli met with CDA to discuss the tax dispute between Chevron and Petronas. CDA stated that Wahington was concerned by the GOC's decision, and hoped that Chad adhered to its contractual obligations and allowed Chevron to use all legal

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avenues available. She also stated that the U.S. hoped that both sides could reach an amicable solution.

¶7. (SBU) Tolli reiterated the GOC's position that the 2000 tax benefit agreement was a confidential agreement that other members of the Chadian government were not aware of. He noted that Chad was not able to reap the benefits of the high price environment as a result of Chevron's and Petronas' insistence of the merits on an illegal agreement. Tolli also pointed out that he and National Tax Director Ramadan Moussa made numerous attempts to establish contact with Chevron and Petronas to indicate the GOC's position, but Chevron and Petronas failed to respond to the Minister's message. He indicated that a resolution between the parties was a possibility, but Chevron and Petronas needed to meet their financial obligations to the GOC.

¶8. (SBU) The Minister added that the GOC was moving forward with its attempts to renegotiate the 1988 and 2004 conventions with Esso. According to him, the GOC had highlighted their concerns on the current structure of the 1988 and 2004 oil conventions during the Finance Minister's meeting with Department of Treasury officials in 2005. Tolli said that in order for Chad to reap the benefits of the country's oil production, it would have to be involved in the Consortium's oil production efforts. The recently-established national commission, in which the Minister of Finance was the vice-president, was currently preparing an action plan to begin negotiations with the consortium. Tolli also stated that the commission may ask the World Bank or another donor to act as a mediator between the GOC and Esso. Queried as to the day-to-day implications of the President's move to expel Chevron and Petronas, Minister Tolli stated that he expected that oil would be shipped out as per existing procedures and commitments (COMMENT: This statement contradicts the contents of the Prime Minister's letter to Chevron and Petronas of the same day).

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OBAMA COMMENTS ON TAX DISPUTE
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19. (U) During his trip to Chad, Senator Obama, in response to media questions following his meeting with President Deby, asserted that the GOC needed to ensure that it adhered to its contractual obligations with foreign companies. He also argued that U.S. investors would be hesitant to invest in Chad should the Government not adhere to its commitments. The Senator also stressed the importance of both sides reaching an amicable solution.
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